ANGOLA

Table 1	2023
Population, million	36.1
GDP, current US$ billion	92.2
GDP per capita, current US$	2549.9
International poverty rate ($2.15)[a]	31.1
Lower middle-income poverty rate ($3.65)[a]	52.9
Upper middle-income poverty rate ($6.85)[a]	78.0
Gini index[a]	51.3
School enrollment, primary (% gross)[b]	88.6
Life expectancy at birth, years[b]	61.6
Total GHG emissions (mtCO2e)	110.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

In 2023, lower oil production and an exchange rate shock led to economic stagnation. The May-June currency slide continues to fuel inflationary pressures. Lower tax revenues, larger interest payments and higher fuel subsidies led the government to cut other expenses. The non-oil sector would drive growth since 2024, but risks to the outlook remain high due to over-reliance on oil. Poverty is projected to grow marginally to 36.1 percent.

Key conditions and challenges

Angola's economy remains overly dependent on the oil sector, which accounts for a quarter of GDP, 60 percent of tax revenues, and 95 percent of exports. Oil production is in structural decline due to oil depletion and lack of investment, falling from 2 million to 1.1 million barrels per day between 2010 and 2023. The reliance on oil has led to high vulnerability to external shocks, undermining macroeconomic stability, and stunted the non-oil economy through strong real exchange rate appreciation, limiting economic diversification and job creation. Among those employed, 80 percent are informal, and half are either self-employed with no employees or unpaid workers of family enterprises. Women face higher unemployment and are more likely to be informal (89 percent compared to 72 percent for men).

Progress has been made in enhancing macro-fiscal stability through exchange rate liberalization, central bank autonomy, and fiscal consolidation. However, while these efforts should be accelerated, greater economic diversification is needed to boost economic growth and reduce poverty, particularly in the context of the global energy transition. Between 2015 and 2022, real GDP per capita fell by 28 percent, reinforcing the need for a more diversified and inclusive growth strategy.
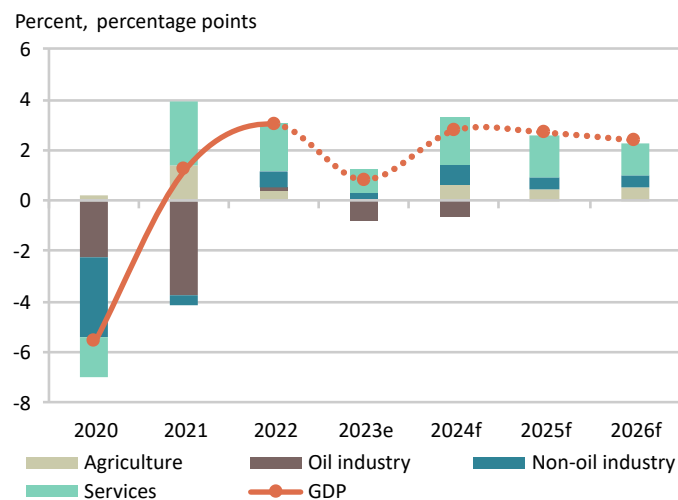
Angola's poverty rates stand above what would be expected for a country with its GDP level: as of 2018, a third lived on less than $2.15 per day. Building human capital is a key priority for reducing poverty and boosting growth. Limited access to health and education reduces the productivity of an Angolan child to a third of his or her potential. Important progress is being made in building a social safety net, including the flagship cash transfer program Kwenda that has registered 1.5 million rural households and initiated payments to 1.03 million beneficiaries. Yet, urban households remain uncovered and vulnerable to food price shocks.

Recent developments

The 2023 real GDP growth has been revised downward from 1.3 to 0.8 percent since the previous MPO. Oil production in 2023 (1.11 million b/d) fell short of the government's expectations (1.18 million b/d) due to a longer-than-expected maintenance shutdown at a major oil field. The non-oil sector slowed down due to a cost-push shock to key inputs from a one-off adjustment in gasoline prices and a sharp currency depreciation. The economic stagnation reduced government revenues, especially those from the non-oil sector.
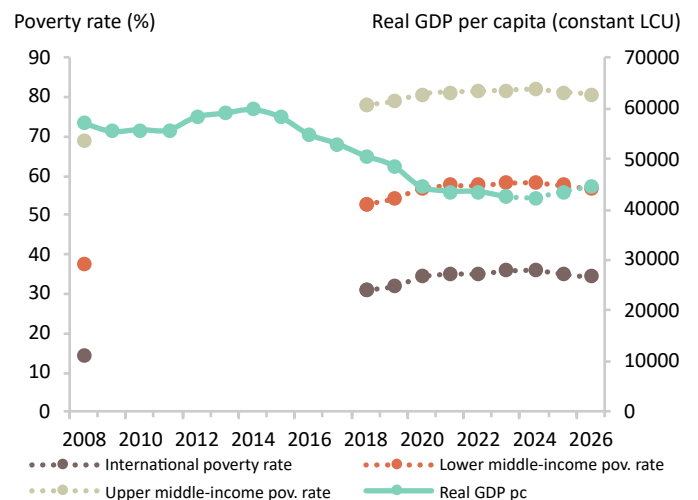
The value of oil exports fell by 27 percent in 2023 due to lower oil prices and production. This, together with large debt service payments, reduced the supply of foreign currency, which triggered a

FIGURE 1 Angola / Real GDP growth and contributions to real GDP growth

Percent, percentage points

Sources: Angola National Institute of Statistics and World Bank.

FIGURE 2 Angola / Actual and projected poverty rates and real GDP per capita

Source: World Bank. Notes: see Table 2.

40 percent depreciation in May-June 2023 and widened the gap between the official and the parallel exchange rates. The slide in the kwanza resulted in higher-than-expected interest payments and fossil fuel subsidies, to which the government responded with cuts in other expenses. The depreciation has also fueled inflationary pressures as year-on-year inflation soared from 11.5 percent in February 2023 to 24 percent in February 2024. The increase in gasoline prices in June 2023 further fueled inflation. The National Bank of Angola raised its policy rate by 100 basis points to 18 percent in November and then to 19 percent in March.

The economy is not generating enough jobs to keep up with Angola's growing working age population. Between Q4 2022 and Q4 2023, over 550,000 new workers joined the labor force, but only 10,000 jobs were added. Urban and youth unemployment surged to 42 and 58 percent in Q4 2023, respectively, up from 39 and 53 percent a year earlier. While the share of jobs in the primary sector grew by 1.1 percentage points, jobs in commerce fell by 2.5 percent.

Outlook

Growth is expected to rebound to 2.8 percent in 2024 and then remain at similar rates. Non-oil sectors would drive this recovery, as oil production is projected to fall by 2.5 percent in 2024 and then stagnate due to oil depletion and lack of investment. Hence, on the demand side, exports are expected to stall, while both final consumption and gross fixed capital formation drive growth. Achieving higher growth rates will depend on the efforts to diversify the economy.

Year-on-year inflation is projected to reach around 28 percent by mid-2024 and then decline to around 12 percent by end-2026. Monetary policy tightening, together with a conservative fiscal stance, is expected to contain inflationary pressures. In addition, the stock of international reserves (7 months of imports), and the imminent monetary loosening in the US would reduce downward pressures on the kwanza and, thus, on inflation.

Food inflation, combined with a weakening labor market and a decline in per capita growth, suggests that poverty may increase to 36.1 percent in 2024, which corresponds to almost 13.5 million Angolans living on less than $2.15/day.

The economic outlook faces several downside risks, primarily driven by lower-than-expected oil prices and production. Lower oil revenues could lead to additional public spending cuts, impacting economic growth, and greater inflationary pressures resulting from a weaker currency. Further monetary tightening to combat inflation would also delay the economic recovery. Increasing efforts to diversify the economy has become essential to reduce the impact of oil price volatility on public finances, economic performance, and poverty reduction. In the near term, it will also be important to address food insecurity, tackle high unemployment, especially among the urban poor, and protect against human capital deterioration by ensuring that all Angolan children have access to adequate nutrition, medical care, and education.

TABLE 2 **Angola** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.2	3.0	0.8	2.8	2.7	2.4
Private consumption	4.0	5.4	2.3	4.6	4.0	3.0
Government consumption	-2.9	3.6	-15.3	5.1	2.7	2.4
Gross fixed capital investment	7.4	8.1	4.6	1.4	2.7	2.8
Exports, goods and services	-8.6	3.3	-2.8	-2.5	0.0	0.0
Imports, goods and services	-3.8	26.1	-7.3	-3.3	2.2	1.3
Real GDP growth, at constant factor prices	-0.1	3.1	0.8	2.6	2.6	2.3
Agriculture	17.2	3.9	0.6	6.3	4.8	4.8
Industry	-8.3	1.8	-1.3	0.1	1.0	1.2
Services	6.2	4.2	2.8	4.2	3.6	2.7
Inflation (consumer price index)	25.8	21.4	13.6	24.7	15.4	11.4
Current account balance (% of GDP)	11.8	10.4	4.2	3.4	1.1	-0.2
Net foreign direct investment inflow (% of GDP)	4.6	5.9	2.3	2.1	1.3	1.0
Fiscal balance (% of GDP)	4.0	1.0	-1.7	-2.8	-2.4	-3.2
Revenues (% of GDP)	24.7	25.6	20.0	18.7	17.5	16.8
Debt (% of GDP)	87.9	69.5	87.2	74.5	69.2	67.0
Primary balance (% of GDP)	9.5	5.4	3.5	3.0	2.9	2.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	35.2	35.2	36.0	36.1	35.2	34.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	57.6	57.7	58.3	58.4	57.6	56.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	81.2	81.3	81.7	81.8	81.2	80.7
GHG emissions growth (mtCO2e)	-1.9	-0.8	-0.4	-0.2	0.0	0.0
Energy related GHG emissions (% of total)	12.6	12.2	12.0	11.8	11.8	11.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2018-IDREA. Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.
b/ Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.